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FISCAL IMPACT REPORT

ORIGINAL DATE 02/15/07

SPONSOR Altamirano LAST UPDATED _____ HB _____

SHORT TITLE Medicaid Reimbursements to Certain Entities SB 644

ANALYST Weber

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY07	FY08		
	\$2,412.4	Recurring	General

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY07	FY08	FY09		
	\$5,981.5		Recurring	Federal Medicaid Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From
Human Services Department

SUMMARY

Synopsis of Bill

Senate Bill 644 appropriates \$2.412.4 million from the general fund to the Human Services Department for the purpose adjusting certain Medicaid reimbursement rates.

On July 1, 2007 HSD shall adjust by 4 percent for inflation and cost indexing the Medicaid rates paid to nursing facilities as specified by regulation.

On September 1, 2007 HSD shall adjust by 4 percent for inflation and Medicaid rates paid to

intermediate care facilities for the mentally retarded.

The bill contains an emergency clause.

FISCAL IMPLICATIONS

The appropriation of \$2.412 million contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of Fiscal Year 2008 shall not revert to the general fund.

On July 1, 2007, \$2.104.0 million is appropriated to include an inflation adjustment of four percent as part of re-basing the Medicaid reimbursement rates, to licensed nursing facilities.

On September 1, 2007, \$308.0 thousand is appropriated to include an inflation adjustment of four percent, to licensed intermediate care facilities for the mentally retarded.

SIGNIFICANT ISSUES

HSD reports that July 1, 2007 is a rebasing year for nursing facilities, it is not however a rebasing year for intermediate care facilities for the mentally retarded (ICF/MR). The estimated increase for the nursing facility rebasing without the Market Basket Index (MBI) is 11.9%. With an additional 4% added to this, the nursing facility rates would be increased by approximately 15.9% which means a state general fund cost of approximately \$8.9 million. If the ICF/MRs are given a 4% increase on July 1, 2007, this would mean an additional increase to the state general fund of approximately \$246,842.00. For FY09, with an estimated MBI of 3.1%, this would mean an additional increase to the state general fund of \$2.1 million. With the rebasing for ICF/MRs and the MBI, this is an estimated increase of 13.1% which means an additional impact to the state general fund of \$840,745.00. Therefore, the appropriation of \$2.4 million for FY08 would result in an additional estimated operating budget impact of approximately \$12 million GF in FY09. Subsequent years will continue to grow as rebasing is based on increasing costs as well as the MBI increase which is normally not known until the beginning of the federal fiscal year.

The projected FY08 expenditure level for nursing facilities is \$180 million and \$21 million for ICF/MR facilities. A mandated 4 percent annual increase totals approximately \$8 million requiring a general fund appropriation of close to the appropriation included in the bill. However as HSD notes, this amount will be included in the three-year rebasing process causing a “compounding effect” that totals about \$12 million as reported by HSD.

While annual increases should be expected in all areas of the Medicaid program mandating an inflation factor takes away the power of the legislature to make appropriations consistent with each year’s circumstances.

POSSIBLE QUESTIONS

Why would only these particular Medicaid services be protected by mandated annual cost increases and not all services?

MW/mt